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## SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Direct military significance of the current shipments of oil from the Black Sea to the Soviet Far East has been clearly revealed by a cargo of aviation gasoline which the Norwegian tanker AMICA is now carrying from Constanza to Dairen. The fact that the gasoline is 91 octane probably indicates that it is destined for the Soviet Air Force. It is unlikely that this high-grade fuel will be used either for any surface motive equipment of the Soviet civil or military establishments, or for blending with inferior fuel to make it suitable for such use. (Item No. 1, A)

The tightness of the freight car situation in the USSR appears to be progressively slackening, and the availability of these units is now even satisfactory in some areas at certain seasons. Articles appearing in the Soviet press early this summer, for example, indicated that there were regional surpluses. The current Five Year Plan has apparently succeeded in increasing the effective inventory of freight cars by reducing the length of haul and the average turnaround time, as well as by increasing train loads. New construction, moreover, is now making itself felt. (Item No. 2, A)

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It appears that the SVIT National Aviation Corporation may soon assume a role of considerable importance in Czechoslovak civil aviation as a non-scheduled carrier for domestic and international services. (Item No. 4, C)

Reports that German aviation experts, including former members of the German Luftwaffe, have secured employment in South American aviation industries have been received from various sources. The high level of experience and technical accomplishment of some of these individuals warrants continued observation of their numbers and the extent to which they are assuming positions of authority in the field of aviation. (Item No. 5, B)

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## SECTION II. CURRENT DEVELOPMENTS

### SURFACE TRANSPORTATION

1. Direct military significance of the current shipments of oil (see TG Weekly Nos. 75 and 78) from the Black Sea to the Soviet Far East has been clearly revealed by a cargo of aviation gasoline which the Norwegian tanker AMICA is now carrying from Constanza to Dairen. The fact that the gasoline is 91 octane probably indicates that it is destined for the Soviet Air Force. It is unlikely that this high-grade fuel will be used either for any surface motive equipment of the Soviet civil or military establishments, or for blending with inferior fuel to make it suitable for such use.

Soviet combat aircraft, including the long-range bomber-transport TU-70 (B-29) as well as several ground attack and fighter-bomber types, require 91 octane fuel for efficient operation and will be able to use the current shipment to good advantage. This gasoline will also be suitable for Chinese Communist aircraft and for the Soviet Civil Air Fleet, which, however, do not have major requirements at Dairen. The USSR may have selected a Norwegian tanker to carry aviation gasoline, rather than one of the US tankers, believing that the use of American vessels in this outright military traffic would alarm the US and prevent their further operation in any Soviet movements.

Dairen is a logical terminus for the movement of oil from the Mediterranean. It has large bulk storage facilities and is conveniently located for the eventual distribution of oil in several directions. The aviation gasoline, for example, could well be delivered to the numerous Soviet air units which are based in Manchuria. These units are strategically located to support any air activity which might eventuate in North Korea, and indirect support by the Soviet Air Force of the infant Chinese Communist Air Force would not be surprising. Oil products could be distributed from Dairen to Shanghai and other North Chinese ports or could be transshipped to points in North Korea. Rail shipments of oil, in fact, could be made from Dairen to the Chita area in the USSR, with a much shorter rail haul than would be involved in movements to the same area from Soviet refining centers farther west. There is also evidence of oil movements by water from Dairen to Vladivostok.

Additional information on the previously reported tanker movements is now available. The US-flag ST. CHRISTOPHER was scheduled to arrive at Dairen several days ago. After unloading, it is under orders to

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haul a cargo of crude oil and a small quantity of gasoline from Dairen to the Vladivostok area. This vessel will then reportedly return to the Persian Gulf, leaving the Soviet traffic, and carry a cargo of oil to Western Europe. The US-flag KETTLEMAN HILLS has probably left Dairen. It was scheduled to carry vegetable oil to Vladivostok, and thence to proceed to Singapore for further orders. There are no indications that this vessel will continue in the Soviet trade. According to the US Consul at Singapore, meanwhile, two US-owned Panamanian-flag tankers will engage in the Black Sea-Dairen traffic. A London firm, Stevinson, Hardy, and Co., Ltd., is apparently negotiating charters for Sojusneft with foreign shipowners.

The critical shortage of oil in the Soviet Far East is probably reflected in the freight rates which the USSR is paying to foreign owners. The charters under which the US vessels are now operating, for example, call for payments substantially above world rates. In view of the difficulties of rail transport and the vulnerability of the long ocean line to interruption, the USSR appears determined to strengthen its Far Eastern position in refined oil products, regardless of purely economic considerations. (Secret)

2. The tightness of the freight car situation in the USSR appears to be progressively slackening, and the availability of these units is now even satisfactory in some areas at certain seasons. Articles appearing in the Soviet press early this summer, for example, indicated that there were regional surpluses. The current Five Year Plan has apparently succeeded in increasing the effective inventory of freight cars by reducing the length of haul and the average turnaround time, as well as by increasing train loads. New construction, moreover, is now making itself felt.

In June, Izvestiya argued that "many concerns should follow the example of the coke by-products works in Zaporozhye, dispensing with warehouses and saving time by loading finished goods directly into freight cars. The railways can now supply all the rolling stock needed to satisfy the demands of industrial concerns in this respect; metallurgical concerns have even been supplied with rolling stock in excess of the plan."

In discussing railroad preparations for hauling this year's grain harvest in the Ukraine, a Gudok article announced in June "although almost as much grain is being shipped as at the 1948 peak, the plan is not being fulfilled. The pool of empty freight cars on the Odessa and

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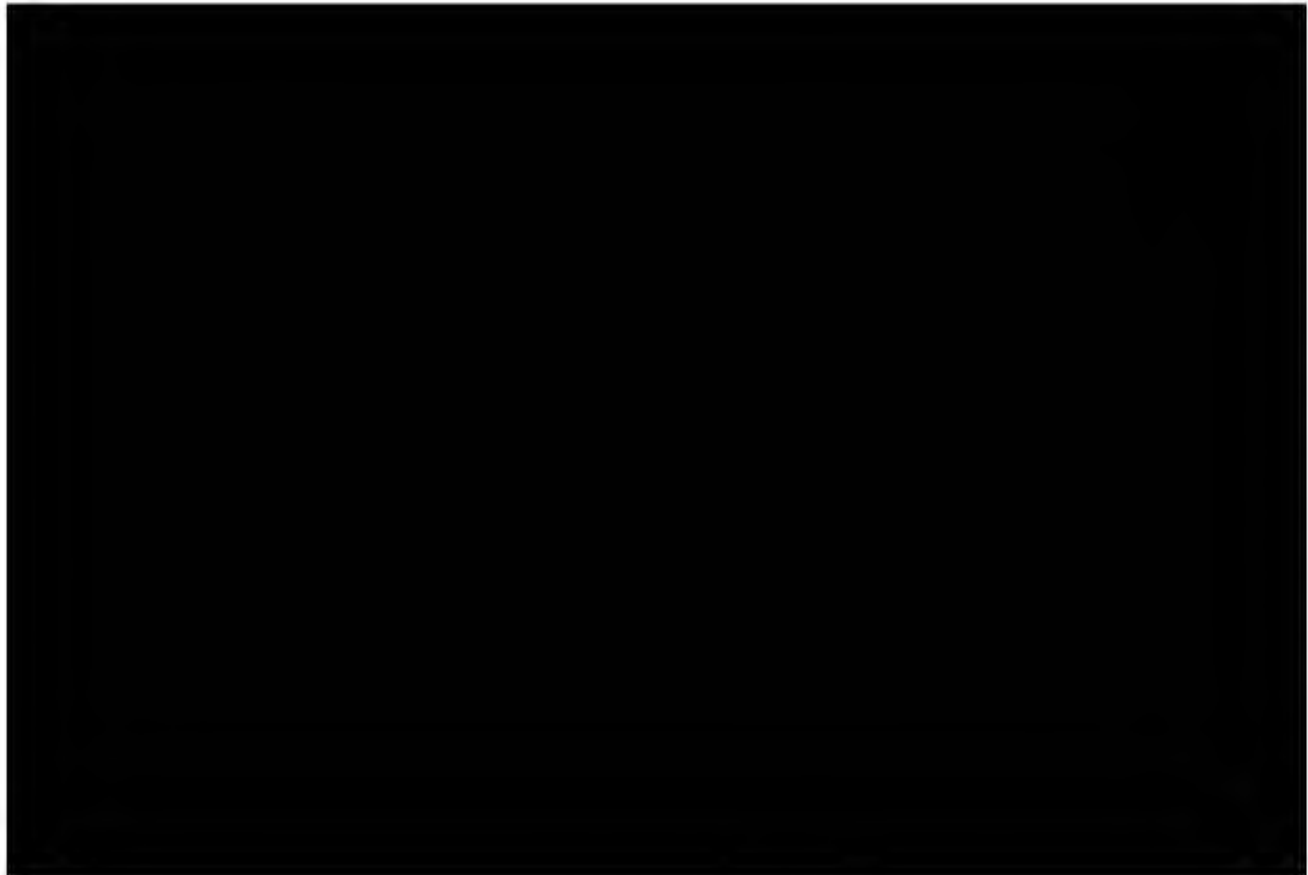
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Kishinev systems is overflowing, and yet there is talk of a shortage of empty cars. This so-called shortage is caused by the use of freight cars for second-grade freight. Furthermore, there is no planning in the routing of cargoes."

The Soviet press releases should probably be accepted with some reserve. It is customary in pre-harvest periods to advertise and exaggerate surpluses of railway cars in order to encourage shippers to expedite freight in the relatively slack period preceding the peak loading season which comes in late summer and early fall. While these surpluses are not altogether real, it is clear that the freight car supply is not an appreciable bottleneck at this period. Moreover, while there is an adequate supply of freight cars under certain conditions, Soviet industry would benefit from further correction of the undue slowness in moving shipments of raw materials and goods to their destinations. The Soviet press frequently pontificates about long delays in loading and unloading, and there are numerous references to (1) freight cars being held in yards for several weeks after assembly before they are moved; (2) excessive delays of trains in yards en route; and (3) inefficient distribution of car supplies. (Secret)

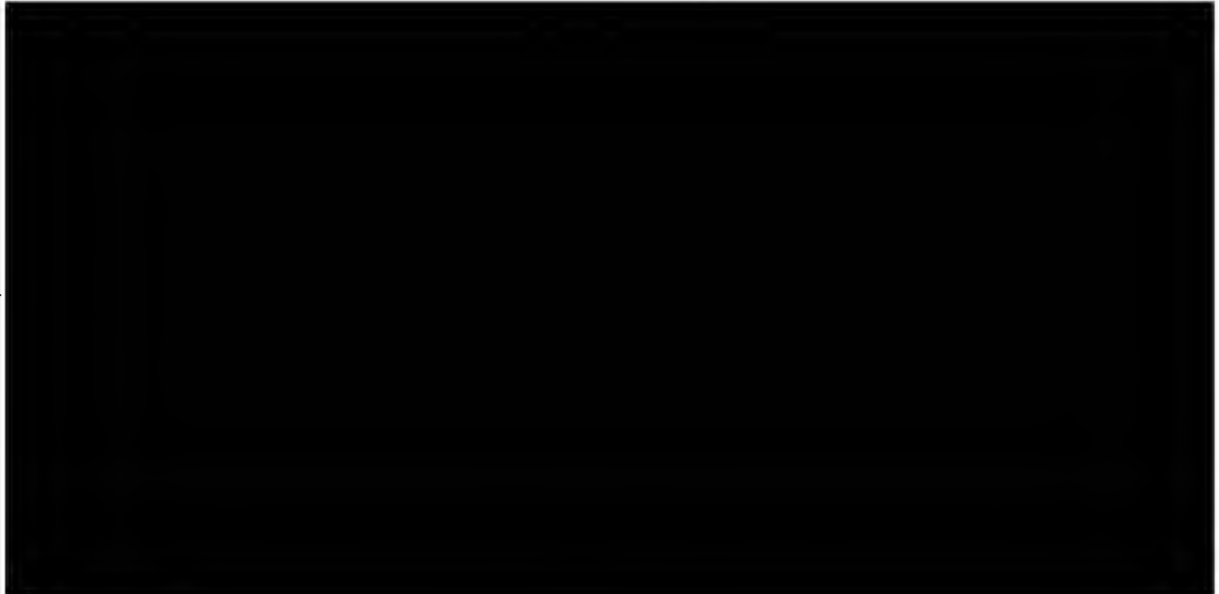
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CIVIL AVIATION

4. Two recent Czechoslovak requests for overflight clearances across the US Zone, Germany, have nominated the SVIT National Aviation Corporation: one from Helsinki to Zurich via Prague, the other from Prague to London via Bern. These clearance requests, together with previous reports (see TG Weekly No. 74) that SVIT intends to operate a special round-trip flight from Prague to Lydda, indicate that the SVIT corporation may soon assume a role of considerable importance in Czechoslovak civil aviation.

SVIT possesses a fleet of seven C-47's, all of which were formerly owned by a division of the BATA corporation and operated under the direction of a Leopold Thurner. It is probable that the SVIT corporation has been established as a non-scheduled airline to operate domestic and international charter services, supplementing the scheduled operations of the Government's well-established airline, CSA. [REDACTED]

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[REDACTED] Although Thurner was appointed General Manager of CSA in June 1949, he reportedly also exercises direction over SVIT's operations. In view of Thurner's past activities, and his reputation as a trustworthy Communist, he may be expected to pursue aggressively the Party's objectives in civil aviation. (Secret)

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5. Reports that German aviation experts, including former members of the German Luftwaffe, have secured employment in South American aviation industries have been received from various sources. The high level of experience and technical accomplishment of some of these individuals warrants continued observation of their numbers and the extent to which they are assuming positions of authority in the field of aviation.

There is an apparent concentration of these experts in Argentina where the Government is actively sponsoring their efforts to advance the design and manufacture of aircraft and guided missiles. The prominence of such figures as the jet engine pioneer, Willy Tank, former construction Chief for Focke Wulff, Lt. General Adolf Galland, ex-Commander of the Luftwaffe and Col. Hans Rudel, an outstanding fighter pilot, together with a group of scientists and specialists in aerodynamics, has given rise to some anxiety in neighboring countries. Chile, for example, has manifested concern at the increase in potential Argentine aviation capabilities, and has in turn employed some ex-Luftwaffe personnel as technicians for its own government-controlled civil airline (LAN).

As it has been reliably reported that an underground organization is facilitating the evacuation of professional and skilled German workers to South America, it is probable that their numbers will increase. With superior training, furthermore, these men will generally find ready employment as they will be willing to underbid most competitors for the technical positions frequently available to foreigners in Latin American aviation. It will therefore be desirable to observe whether they become socially integrated into their communities or tend to form groups which remain aloof, preserving their national identity and susceptible to exploitation by any future resurgence of German nationalism.

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